

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 IO-10 OMB-01 EB-07 CIAE-00 DODE-00

PM-03 H-02 INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01

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R 160807Z MAY 75

FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 9905

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMEMBASSY JAKARTA

AMEMBASSY MANILA

AMEMBASSY SINGAPORE

AMEMBASSY WELLINGTON 1145

CINCPAC

C O N F I D E N T I A L KUALA LUMPUR 2707

CINCPAC FOR POLAD

E.O. 11652: GDS

TAGS: PINT MY

SUBJ: RECENT SABAH POLITICAL DEVELOPMENTS

REF: KL 2432

1. SUMMARY: ACCORDING POLITICAL OBSERVERS HERE AND IN SABAH, RECENT SPECULATION BY CHIEF MINISTER TUN MUSTAPHA THAT SABAH MAY WITHDRAW FROM MALAYSIAN FEDERATION IS BARGAINING PLOY TO STRENGTHEN HIS HAND VIS A VIS FEDERAL GOVERNMENT, PARTICULARLY ON FINANCIAL AND PETROLEUM MATTERS. END SUMMARY.

2. ACCORDING TO AUSTRALIAN HIGH COMMISSION OFFICER (IRVINE), WHO RETURNED FROM VISIT TO SABAH LATE LAST WEEK, SUGGESTION BY TUN MUSTAPHA THAT SABAH MAY SECEDE FROM MALAYSIAN FEDERATION IS EXPRESSION OF HIS DISSATISFACTION WITH FEDERAL GOVERNMENT OVER FINANCIAL AND PETROLEUM MATTERS. IRVINE COMMENTED
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THAT, WHILE MUSTAPHA'S INDEPENDENT PROCLIVITIES

HAVE ENGENDERED SOME POLITICAL NERVOUSNESS IN SABAH, MOST POLITICAL OBSERVERS THERE BELIEVE THAT HIS RECENT STATEMENTS REGARDING SEPARATION DURING STATE-WIDE TOUR ARE CALCULATED TO KEEP FEDERAL GOVERNMENT OFF BALANCE AND TO STRENGTHEN HIS HAND AGAINST SOME FEDERAL OFFICIALS WHO WISH TO IMPOSE CONSTRAINTS ON STATE GOVERNMENT AND SABAH FOUNDATION OPERATIONS. IT IS WELL KNOWN, HE ADDED, THAT SABAH TREASURY IS DEPLETED BECAUSE TIMBER REVENUES HAVE BEEN SIPHONED OFF INTO SABAH FOUNDATION COFFERS, AND THAT FEDERAL GOVERNMENT WOULD LIKE TO REVOKE SABAH FOUNDATION'S TAX EXEMPT STATUS. IN ADDITION, MUSTAPHA WANTS STATE TO HAVE PRIMARY OWNERSHIP OF OFFSHORE OIL RESOURCES RATHER THAN NATIONAL PETROLEUM CORP. (PETRONAS) HEADED BY TENGKU RAZALEIGH WHOM MUSTAPHA DISLIKES PERSONALLY. STATE GOVERNMENT SOURCES IN SABAH TOLD IRVINE THAT MUSTAPHA WANTS BETTER DEAL ON OIL REVENUES THAN GIVEN TO NEIGHBORING SARAWAK (I.E., FIVE PERCENT OF GROSS REVENUES) AND THAT HE WANTS STATE AND/OR SABAH FOUNDATION TO OWN MAJOR SHARE OF ANY REFINING AND DISTRIBUTION OPERATIONS CONNECTED WITH OFFSHORE OIL EXPLORATIONS.

3. IN RELATED POLITICAL DEVELOPMENTS, IRVINE SAID THERE IS STRONG FEELING AMONG SABAHANS THAT FEDERAL GOVERNMENT IS PRESSURING MUSTAPHA TO CLEAN UP STATE GOVERNMENT AND SABAH FOUNDATION OPERATIONS. THUS, SENATOR DATUK SYED KECHIK, A NATIVE OF KEDAH AND CLOSE ALLY OF MUSTAPHA, WAS PRESSURED INTO GIVING UP POST AS SABAH FOUNDATION CHAIRMAN; A NATIVE (AND HERETOFORE UNKNOWN) SABAHAN, DATU KHALIL BIN DATU JAMALUL, HAS BEEN APPOINTED IN HIS STEAD. ALSO, THERE WERE REPORTS THAT MUSTAPHA IS ATTEMPTING TO CUT THE INFLUENCE OF SABAH BUSINESSMAN AND FORMER STATE MINISTER DATUK HARRIS BIN MOHD. SALLEH WHO REPUTEDLY IS THE FEDERAL GOVERNMENT'S CHOICE TO SUCCEED MUSTAPHA AS CHIEF MINISTER.

4. RELIABLE PRESS SOURCES HAVE TOLD US IN LAST FEW DAYS THAT FEDERAL GOVERNMENT IS PRESSURING MUSTAPHA TO HOLD STATE ASSEMBLY ELECTIONS BEFORE SEPTEMBER AND THAT FEDERAL GOVERNMENT IS INSISTING THAT OPPOSITION BE ALLOWED TO FIELD CANDIDATES. ACCORDING THESE REPORTS, PM RAZAK AND OTHER FEDERAL POLITICIANS WANT TO TEST MUSTAPHA'S CONFIDENTIAL

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ELECTORAL STRENGTH IN UNFETTERED ELECTIONS, PERHAPS BEFORE TAKING STEPS FORCING HIM TO RETIRE. IT IS UNKNOWN, HOWEVER, WHETHER MUSTAPHA WILL SUCCUMB TO THIS ELECTION WAGAMBIT AND THE ODDS ARE PROBABLY EVEN THAT HE WILL MANAGE THE ELECTION SO THERE IS NO SERIOUS OPPOSITION, IF THERE IS ANY OPPOSITION AT ALL.

5. COMMENT: MUSTAPHA SEEMS TO BE ENGAGING IN ANOTHER

ROUND OF ONEUPSMANSHIP WITH THE FEDERAL GOVERNMENT,
ATTEMPTING TO IMPROVE HIS LEVERAGE IN THE DIVISION OF
ECONOMIC SPOILS. THE ALLOCATION OF REVENUES FROM
NATURAL RESOURCES EXPLOITATION, INCLUDING TIMBER AND OIL,
HAVE ALWAYS BEEN TOUCHY SUBJECTS BETWEEN SABAH AND THE
FEDERAL GOVERNMENT, AND IT IS PERHAPS SIGNIFICANT THAT
THE SABAH GOVERNMENT HAS GENERALLY PREVAILED IN THESE
MATTERS. CONSIDERING THESE FACTORS, SABAH SECESSION
APPEARS TO BE MORE OF A PLOY THAN A REAL POSSIBILITY,
BUT NEVERTHELESS MUSTAPHA'S TALK OF SEPARATION HAS
UNDOUBTEDLY CONTRIBUTED TO INCREASING CENTRAL
GOVERNMENT NERVOUSNESS OVER ITS RELATIONS WITH BOTH BORNEO
STATES.
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